

Questions for the Record from Rep. McDermott to The Honorable  
Jane Oates

**Hearing on Moving from Unemployment Checks to  
Paychecks: Implementing Recent Reforms**

April 25, 2012

Ways and Means Subcommittee on Human Resources

**Question:** What is already being done under Federal law to regarding states' outstanding advances (loans)?

**Answer:** Under permanent Federal law, advances states receive to pay unemployment compensation begin to accrue interest after a period of time. As you know, the American Recovery and Reinvestment Act of 2009 waived interest accrual and payment on these advances for two years. When that ended, advances began to accrue interest and the first interest payment was due by September 30, 2012. The amount of interest each state paid is in the table on the next page. In addition, permanent Federal law includes a mechanism to help states repay the principal of these advances. Typically, employers in a state receive a 5.4% credit against the full Federal Unemployment Tax Act (FUTA) tax. However, if states have outstanding advances for a specified period of time, that credit begins to be reduced. The first year of reduction, employers pay an additional 0.3% FUTA tax with the reduction generally increasing in 0.3% increments in succeeding years. These additional FUTA payments are used to pay down the principal of the state's advances. Information about the FUTA credit reductions applicable in each of the states is in the table on the last page.

## State Interest Payments

The first interest payment on advances (loans) was due on September 30, 2011. The amount of interest states paid for Fiscal Year (FY) 2011 is listed below.

State	Title XII Interest Payments for FY 2011 (\$ millions)
Alabama	3.90
Arizona	8.24
Arkansas	10.11
California	303.46
Colorado	11.43
Connecticut	22.65
Delaware	1.73
Florida	56.11
Georgia	21.04
Hawaii	0.21
Idaho	5.53
Illinois	71.42
Indiana	60.37
Kansas	4.60
Kentucky	28.15
Michigan	106.03
Minnesota	14.89
Missouri	23.25
New Jersey	47.98
New York	95.44
North Carolina	78.45
Ohio	70.74
Pennsylvania	104.56
Rhode Island	7.14
South Carolina	26.48
Vermont	2.12
Virgin Islands	0.66
Virginia	8.77
Wisconsin	42.26
Total	1,237.72

**Actual and Potential FUTA Credit Reductions (Tax Increases)  
to Repay Advances**

(Payable on a \$7,000 taxable wage base)

State	CY 2009	CY 2010	CY 2011	CY 2012*
Alabama			**	0.6%
Arizona				0.3%
Arkansas			0.3%	0.6%
California			0.3%	0.6%
Colorado				0.3%
Connecticut			0.3%	0.6%
Delaware				0.3%
Florida			0.3%	0.6%
Georgia			0.3%	0.6%
Illinois			0.3%	0.6%
Indiana		0.3%	0.6%	0.9%
Kansas				0.3%
Kentucky			0.3%	0.6%
Michigan	0.3%	0.6%	0.9%	***
Minnesota			0.3%	0.6%
Missouri			0.3%	0.6%
Nevada			0.3%	0.6%
New Jersey			0.3%	0.6%
New York			0.3%	0.6%
North Carolina			0.3%	0.6%
Ohio			0.3%	0.6%
Pennsylvania			0.3%	0.6%
Rhode Island			0.3%	0.6%
South Carolina		0.3%	****	0.9%
Vermont				0.3%
Virgin Islands			0.3%	0.6%
Virginia			0.3%	0.6%
Wisconsin			0.3%	0.6%

\* These rates assume each state still has a loan balance on November 10, 2012, and no state qualifies for an additional reduction under FUTA, Section 3302(c), avoidance under Section 3302(g) or cap under Section 3302(f).

\*\* AL did not have a loan balance on 11/10/11

\*\*\* MI did not have a loan balance on 1/1/12

\*\*\*\* SC qualified for avoidance for 2011.

Credit Reduction	Cost per \$7,000 Worker
0.3%	\$21
0.6%	\$42
0.9%	\$63

**NOTE:** FUTA credit reductions essentially result in increased FUTA taxes that employers in a state pay. The additional amounts paid are used to pay back the state's advances (loans).

# **Actual and Potential FUTA Credit Reductions**

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Arkansas			0.3%	0.6%
California			0.3%	0.6%
Colorado				0.3%
Connecticut			0.3%	0.6%
Delaware				0.3%
Florida			0.3%	0.6%
Georgia			0.3%	0.6%
Illinois			0.3%	0.6%
Indiana		0.3%	0.6%	0.9%
Kansas				0.3%
Kentucky			0.3%	0.6%
Michigan	0.3%	0.6%	0.9%	***
Minnesota			0.3%	0.6%
Missouri			0.3%	0.6%
Nevada			0.3%	0.6%
New Jersey			0.3%	0.6%
New York			0.3%	0.6%
North Carolina			0.3%	0.6%
Ohio			0.3%	0.6%
Pennsylvania			0.3%	0.6%
Rhode Island			0.3%	0.6%
South Carolina		0.3%	****	0.9%
Vermont				0.3%
Virgin Islands			0.3%	0.6%
Virginia			0.3%	0.6%
Wisconsin			0.3%	0.6%

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